

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

**COMMISSIONERS:**        **William E. Kovacic, Chairman  
Pamela Jones Harbour  
Jon Leibowitz  
J. Thomas Rosch**

	)	
<b>In the Matter of</b>	)	
	)	
<b>AMERICAN NATIONWIDE</b>	)	
<b>MORTGAGE COMPANY, INC.,</b>	)	
	)	<b>DOCKET NO. C-4249</b>
	)	
<b>a corporation.</b>	)	
	)	

**COMPLAINT**

The Federal Trade Commission, having reason to believe that American Nationwide Mortgage Company, Inc., a corporation (“respondent”) has violated the provisions of the Federal Trade Commission Act and the Truth in Lending Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent, American Nationwide Mortgage Company, Inc., is a Florida corporation with its principal office or place of business at 3820 Northdale Blvd., Suite 111A, Tampa, FL 33624.
2. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.
3. In the mortgage lending industry, there are certain terms of art. These terms generally have the following meanings. An “interest rate” is the rate charged the consumer for the loan. It is usually stated as an annual amount, such as “6% interest.” “Interest” is the dollar amount the consumer owes based on the interest rate. A “payment rate” is the rate used to calculate the consumer’s monthly payment amount, and is not necessarily the same as the interest rate. If the payment rate is less than the interest rate, the consumer’s monthly payment amount does not include the full interest owed each month; the difference between the amount the consumer pays, and the amount the consumer owes, is added to the total amount due from the consumer. “Negative amortization” is an increase in the consumer’s total debt due during the term of the loan. It occurs when the consumer’s

monthly payment amount does not contain the amount of interest owed for that month. The difference between the amount the consumer pays, and the amount the consumer owes, is added to the consumer's total debt, causing it to increase.

4. Since at least 2007, respondent has disseminated or has caused to be disseminated advertisements that promote extensions of closed-end credit in consumer credit transactions, as the terms "advertisement" and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2.
5. Respondent originates fixed and adjustable rate, conforming and conforming, FHA and VA purchase money mortgage and mortgage refinancing loans, with terms varying from 10 to 40 years. Nationwide is licensed to operate in 29 states.
6. Respondent has disseminated or has caused to be disseminated mortgage loan advertisements, including but not necessarily limited to the attached Exhibit A. Exhibit A is a direct mail advertisement, which contains the following statements:

**30-Year Fixed,**

**1.95%<sup>1</sup>**

\* \*

Example

	Balance	Payment
Your Estimated Current Mortgage	\$650,000	\$3,723
Your Estimated Revolving Debt	\$21,439	506
Your Estimated Total	\$671,439	\$4,229

**Your New, One, Low Monthly Payment: \$2465[]**

\* \*

. . . Our Reduced Rate Loans[] can provide you with a 30-year fixed rate of 1.95%<sup>1</sup>. . .

A fine print virtually illegible disclosure, in a footnote at the bottom of the advertisement, states: "4.981% Annual Percentage Rate . . ." A fine print disclosure in small font, on the reverse side of the advertisement, states: "Initial Annual Percentage Rate (APR) for a 30 year mortgage loan with 80% loan to value is 4.981%. Rate is fixed for 12 months and adjusts upwards 7.5% of the payment amount annually for the first ten years of the loan . . ." [Exhibit A]

## **FEDERAL TRADE COMMISSION ACT VIOLATIONS**

### **COUNT I: Failure to Disclose, or Failure to Disclose Adequately, Material Terms**

7. Through the means described in Paragraph 6, respondent has represented, expressly or by implication, that consumers can receive mortgage loans at the terms prominently stated in the advertisements, including but not necessarily limited to a low monthly payment amount and/or a low rate.
8. In its mortgage loan advertisements as described in Paragraph 6, respondent has failed to disclose, or failed to disclose adequately, additional terms pertaining to the mortgage offer, such as:
  - a. That the advertised low monthly payment amount: (1) applies only for a limited period of time, after which the monthly payment amount will increase; (2) does not include the amount of interest that the consumer owes each month; and (3) is less than the monthly payment amount (including interest) that the consumer owes, with the difference added to the total amount due from the consumer.
  - b. That the advertised low rate: (1) applies only for a limited period of time, after which the rate will increase; (2) does not include the amount of interest that the consumer owes each month; and (3) is less than the interest rate that the consumer owes, with the difference added to the total loan balance.
9. The information described in Paragraph 8 would be material to consumers shopping for a mortgage loan. The failure to disclose, or failure to disclose adequately, this information, in light of the representations made in Paragraph 7, was, and is, a deceptive practice.
10. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

### **COUNT II: Misrepresentation that Advertised Mortgage Loan has a Fixed Rate**

11. Through the means described in Paragraph 6, respondent has represented, expressly or by implication, that respondent's advertised rate is a fixed rate for the full term of the loan.
12. In truth and in fact, respondent's advertised rate is not a fixed rate for the full term of the loan. Therefore, respondent's representations made in Paragraph 11 were, and are, false and misleading.
13. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

## **TRUTH IN LENDING ACT AND REGULATION Z VIOLATIONS**

### **COUNT III: Failure to Disclose, or Failure to Disclose Clearly and Conspicuously, Required Credit Advertisement Terms**

14. Respondent's mortgage loan advertisements, including but not necessarily limited to Exhibit A, state periodic payment amounts for certain loan principal amounts but fail to disclose, or fail to disclose clearly and conspicuously, certain additional terms required by the Truth in Lending Act and Regulation Z, including one or more of the following terms:
  - a. the terms of repayment;
  - b. the "annual percentage rate," using that term; and
  - c. if the annual percentage rate may be increased after consummation, that fact.
15. Respondent's practices have violated Section 144 of the Truth in Lending Act, 15 U.S.C. § 1664 (as amended) and Section 226.24(c) of Regulation Z, 12 C.F.R. § 226.24(c).

### **COUNT IV: Failure to Disclose, or Failure to Disclose Clearly and Conspicuously, Required Credit Advertisement Rate Information**

16. Respondent's mortgage loan advertisements, including but not necessarily limited to Exhibit A, state a rate of finance charge for mortgage loan advertisements, but fail to disclose, or fail to disclose clearly and conspicuously, the following information required by Regulation Z:
  - a. the rate of finance charge stated as an "annual percentage rate," using that term;
  - b. the annual percentage rate, stated in conjunction with and at least as conspicuously as the stated simple annual rate; and
  - c. required payment rate disclosures.
17. Respondent's practices have violated Section 144 of the Truth in Lending Act, 15 U.S.C. § 1664 (as amended), and Section 226.24(b) of Regulation Z, 12 C.F.R. § 226.24(b) (including as more fully set out in Section 226.24(b) of the Official Staff Commentary on Regulation Z, 12 C.F.R. § 226.24(b), Supp. 1).

THEREFORE, the Federal Trade Commission this seventeenth day of February, 2009, has issued this complaint against respondent.

By the Commission.

Donald S. Clark  
Secretary

SEAL: